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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

## FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER - DEALER:  
LFC Securities, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1250 Connecticut Ave NW, Suite 550

(No. and Street)

Washington, DC

(City)

(State)

20036

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Christopher Johnson

(314) 512-8712

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Sanville &amp; Company

(Name - if individual, state last, first, middle)

1514 Old York Road

(Address)

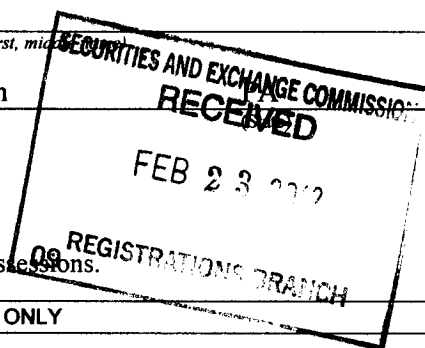
Abington

(City)

19001

(Zip Code)

## CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

**Potential persons who are to respond to the  
collection of information  
contained in this form are not required to respond  
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## OATH OR AFFIRMATION

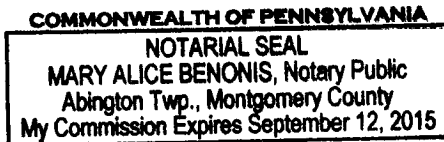
I, Christopher Johnson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LFC Securities, LLC, as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Christopher Johnson 2/9/12  
Signature

Principal Financial Officer  
Title

Mary Alice Benonis  
Notary Public



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- N/A ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- \* ☐ (m) A copy of the SIPC Supplemental Report.
- N/A ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Accounting Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

\*Less than \$500,000 in revenue.

# Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA  
MICHAEL T. BARANOWSKY, CPA  
JOHN P. TOWNSEND, CPA

1514 OLD YORK ROAD ABINGTON, PA 19001  
(215) 884-8460 • (215) 884-8686 FAX

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MEMBERS OF  
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140 EAST 45<sup>TH</sup> STREET NEW YORK, NY 10017  
(212) 661-3115 • (646) 227-0268 FAX

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
LFC Securities, LLC

We have audited the accompanying statement of financial condition of LFC Securities, LLC (the "Company") as of December 31, 2011, and the related statements of income, changes in member's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LFC Securities, LLC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abington, Pennsylvania  
February 20, 2012



**LFC Securities, LLC**  
**Statement of Financial Condition**  
**December 31, 2011**

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**Assets**

Cash and cash equivalents	\$	95,686
Deposit with clearing broker		75,000
Prepaid expenses		<u>3,950</u>
Total assets	\$	<u><u>174,636</u></u>

**Liabilities and Member's Equity**

Commitments and contingent liabilities

**Member's equity**

Member's equity

Total member's equity	\$	<u>174,636</u>
Total liabilities and member's equity	\$	<u><u>174,636</u></u>

The accompanying notes are an integral part of these financial statements.

**LFC Securities, LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2011**

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**Revenue**

Interest Income	\$ <u>84</u>
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**Expenses**

Professional fees	11,320
Office expense	9,734
Travel and entertainment	912
Insurance	<u>814</u>

Total expenses	<u>22,780</u>
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Net loss before income taxes	<u>(22,696)</u>
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Income tax benefit -current	<u>7,944</u>
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Net loss	\$ <u><u>(14,752)</u></u>
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The accompanying notes are an integral part of these financial statements.

**LFC Securities, LLC**  
**Statement of Changes in Member's Equity**  
**For the Year Ended December 31, 2011**

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<b>Member's equity at January 1, 2011</b>	<b>\$ 189,388</b>
Net loss for the year	<u>(14,752)</u>
<b>Member's equity at December 31, 2011</b>	<b>\$ <u>174,636</u></b>

The accompanying notes are an integral part of these financial statements.

**LFC Securities, LLC****Statement of Changes in Liabilities Subordinated to Claims of General Creditors****For the Year Ended December 31, 2011**

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<b>Subordinated borrowings at January 1, 2011</b>	\$	-
Increases:		-
Decreases:		-
<b>Subordinated borrowings at December 31, 2011</b>	\$	-

The accompanying notes are an integral part of these financial statements.

# **LFC Securities, LLC**

## **Statement of Cash Flows**

**For the Year Ended December 31, 2011**

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Cash flows from operating activities:	
Net loss	\$ ( 14,752)
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Prepaid expenses	<u>7,373</u>
Net cash used in operating activities	<u>( 7,379)</u>
Net decrease in cash	( 7,379)
Cash and cash equivalents at beginning of year	<u>103,065</u>
Cash and cash equivalents at end of year	\$ <u><u>95,686</u></u>
Supplemental disclosures of cash flow information	
Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.



**LFC Securities, LLC**  
**Notes to Financial Statements**  
**December 31, 2011**

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**1. Organization**

LFC Securities, LLC ("the Company") is a registered broker dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a wholly-owned subsidiary of Love Funding Corporation ("the Parent"). It operates as a Delaware limited liability company with one class of member units.

The Company is an introducing broker and has a fully disclosed clearing agreement with its carrying broker. The Company, like other broker dealers, is directly affected by general economic and market conditions, including fluctuations in volume and price level of securities, changes in interest rates and securities brokerage services, all of which have an impact on the Company's liquidity.

**2. Summary of Significant Accounting Policies**

*The following are the significant accounting policies followed by the Company:*

*Revenue* – Securities transactions (and related commission revenue and expense, if applicable) are recorded on a settlement date basis, generally the third business day following the transaction date. This is not materially different from trade date.

*Income taxes* – The Company is included in the consolidated federal tax return filed by the Parent. Federal Income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company recognizes and discloses uncertain tax positions in accordance with accounting principles generally accepted in the United States of America (GAAP). As of, and during the year ended December 31, 2011 the Company did not have liability for unrecognized tax benefits.

*Cash and cash equivalents* – The Company includes as cash and cash equivalents amounts invested in money market mutual funds.

*Concentration of Credit Risk* - The Company is engaged in underwriting activities in which the counterparties primarily include other broker-dealers, banks and other financial institutions. In the event the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**2. Summary of Significant Accounting Policies (Continued)**

*Use of estimates* – The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

*Subsequent events* - Management has evaluated the impact of all subsequent events through the date the financial statements were issued and has determined that there were no subsequent events requiring disclosure in these financial statements.

**3. Deposit with Clearing Broker**

The Company maintains a clearing agreement with Southwest Securities, Inc. ("SWS"). Under the agreement the Company maintains a clearing deposit of \$75,000.

**4. Computation for Determination of Reserve Requirements**

The Company will operate in accordance with the exemptive provisions of paragraph (k)(2)(ii) of SEC Rule 15c3-3. All customer transactions are cleared through SWS.

**5. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2011 the Company had net capital and capital requirements of \$170,686 which was \$70,686 in excess of its required net capital of \$100,000. The Company's net capital ratio was 0.00 to 1.

**6. Related Party Transactions**

The Company leases its office space from the Parent under a sublease for \$777 per month, expiring June 20, 2012. Total rent expense for 2011 was \$9,327.

**7. Subsequent Event**

The Parent intends to become a subsidiary of Heartland Bank, a full-service, regional bank with locations in the St. Louis, MO and Denver, CO metropolitan areas. Heartland Bank is supervised by the Office of the Comptroller of the Currency. At the same time the Parent intends to transfer ownership of the Company to an affiliate, Love Savings Holding Company, which is under the supervision of the Federal Reserve. As part of the aforementioned transaction the Company intends to file for a change in firm organization pursuant to FINRA rule 1017 no later than February 29, 2012. The Company is not aware of any regulatory compliance issues that would prevent this transaction from being completed. As of the date of the financial statements approval is not assured.

**LFC Securities, LLC****Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
December 31, 2011****Schedule I**

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**COMPUTATION OF NET CAPITAL**

Total member's equity	\$	174,636
Deduct member's equity not allowable for Net Capital:		<u>-</u>
Total member's equity qualified for Net Capital		<u>174,636</u>
Deductions and/or charges:		
Non-allowable assets:		
Prepaid expenses		<u>3,950</u>
Total non-allowable assets		<u>3,950</u>
Net Capital before haircuts on securities positions		170,686
Trading and investment securities:		
Total haircuts		<u>-</u>
Net Capital	\$	<u><u>170,686</u></u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Total aggregate indebtedness liabilities from Statement of Financial Condition

Total aggregate indebtedness	\$	<u><u>-</u></u>
Percentage of aggregate indebtedness to Net Capital		0%
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		-

**LFC Securities, LLC****Computation of Net Capital Under Rule 15c3-1****of the Securities and Exchange Commission****December 31, 2011****Schedule I (continued)**

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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum Net Capital (6 2/3% of \$-0-)	\$	-
Minimum dollar Net Capital requirement of reporting broker or dealer and minimum Net Capital requirement	\$	100,000
Net Capital requirement	\$	100,000
Excess Net Capital	\$	70,686
Net Capital less greater of 10% of aggregate indebtedness or 120% of minimum net capital	\$	50,686

**RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT  
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT****Computation of Net Capital Under Rule 15c3-1**

No material difference exists between the broker's most recent, unaudited,  
Part IIA filing and the Annual Audit Report.

**LFC Securities, LLC**

**Computation for Determination of Reserve Requirements**

**Under Rule 15c3-3 of the Securities and Exchange Commission**

**December 31, 2011**

**Schedule II**

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The Company is exempt from the provisions of Rule 15c3-3 in accordance with Section (k)(2)(ii).

**RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT  
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT**

**Computation for Determination of Reserve Requirements Under  
Exhibit A of Rule 15c3-3**

No material difference exists between the broker's most recent, unaudited, Part IIA filing and the Annual Audit Report.

# *Sanville & Company*

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA  
MICHAEL T. BARANOWSKY, CPA  
JOHN P. TOWNSEND, CPA

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140 EAST 45<sup>TH</sup> STREET NEW YORK, NY 10017  
(212) 661-3115 • (646) 227-0268 FAX

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL**

Board of Directors  
LFC Securities, LLC

In planning and performing our audit of the financial statements and supplemental schedules of LFC Securities, LLC (the Company) as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC) we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
- 2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Abington, Pennsylvania  
February 20, 2012

A handwritten signature in black ink, appearing to read "Janvick & Company". The signature is fluid and cursive, with a large, stylized "J" and "C".